



BOARD OF TRADE

Investigation into the affairs of Langkon North Borneo Rubber Limited

Report by
Mr. John William Ping, F.C.A.

*(Inspector appointed by the Board of Trade
in accordance with the provisions of
Section 165(b) of the Companies Act 1948)*

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Langkon North Borneo Rubber Limited

I

Appointment

1. On 29th June 1961, Mr. Arnold Yarworth Green was appointed Inspector to investigate the affairs of Langkon North Borneo Rubber Ltd., hereinafter referred to as "Langkon", in the following terms:

The Board of Trade in pursuance of the powers conferred on them by Section 165(b) of the Companies Act 1948 hereby appoint Mr. Arnold Yarworth Green, chartered accountant, of Lacon House, Theobalds Road, London, W.C.1, to act as Inspector to investigate the affairs of the above named company and to report thereon in such manner as the Board of Trade may direct.

Mr. Green died on 11th November 1963, before completing his report.

2. On 19th February 1964 I was appointed Inspector in the following terms:

The Board of Trade in pursuance of the powers conferred on them by Section 165(b) of the Companies Act 1948, appointed Arnold Yarworth Green, chartered accountant, of Lacon House, Theobalds Road, London, W.C.1, to act as Inspector to investigate the affairs of the above named company. The said Arnold Yarworth Green died on 11th November 1963 and it is desirable to appoint another Inspector. Therefore, the Board of Trade by virtue of the powers conferred on them by Section 165(b) of the Companies Act, 1948, and all other powers enabling them in that behalf do hereby appoint John William Ping, chartered accountant, of Hillgate House, 35 Old Bailey, London, EC4, to act as Inspector to investigate the affairs of the above named company in place of the late Arnold Yarworth Green.

II

Introduction and scope of enquiry

3. Prior to my appointment I had assisted the late Mr. Green in his enquiries. This report is based on information collected by the late Mr. Green and myself.

4. On the same date as that on which he was appointed Inspector into the affairs of Langkon, Mr. Green was also appointed Inspector into the affairs of two other companies, namely Jon-Landor Ltd., (hereinafter referred to as 'Jon-Landor') and Selama (Malaya) Rubber Estates Ltd. (hereinafter called 'Selama'). After Mr. Green's death I was similarly appointed Inspector into the affairs of these companies, and although the affairs of all three companies were to some extent inter-connected they are each the subject of a separate report. The affairs of Langkon and of the other two companies whose affairs I investigated were throughout the period covered by the investigations very much connected with a company called Comcor Ltd. (hereinafter referred to as 'Comcor'), a merchant banking company. Therefore, in order that matters reported upon may be more easily appreciated, there has been included in this report a section which deals with the relevant background of Comcor and such of its associated companies as were linked with Langkon.

5. At the commencement of the enquiries it was found that the two persons who as directors of Langkon, were principally concerned with the transactions mentioned in this report, had left this country in 1958. One, Mr. Eli Karlin, was residing in New York, but he was last known to be residing in Portugal, and the other, Mr. Nathan Albert, was in Israel, but it is believed that he is not now residing there. The investigations have been considerably hampered by the absence of these two persons, but it has been possible to communicate as necessary with Mr. Karlin through his London solicitor.

6. The books and records of Langkon had become dispersed on the departure of the two principal directors and difficulties were experienced in tracing them; the whole of the records have not been recovered. In the circumstances it has been impossible to carry out a complete and satisfactory review of the company's affairs.

7. The enquiry has been mainly directed to:

- (i) the circumstances surrounding the Comcor offer to acquire the shares of Langkon;
- (ii) the verification and consideration of the transactions recorded in the books of Langkon from the date of the acquisition of its shares by Comcor in early 1958 until July, 1958 when it had become dormant;
- (iii) the determination of the present shareholdings in Langkon.

III

History of Comcor and its associated companies whose affairs became connected with Langkon

8. Comcor was formed in 1949 with an authorised and issued capital of £1,000 by a M. Marcel Messiqua, a businessman with interests in several countries; M. Messiqua became acquainted with Mr. Karlin when he invested £5,000 in Mr. Karlin's company, E. Karlin & Sons Ltd. in 1954. In 1955 M. Messiqua injected additional capital into Comcor jointly with a M. Abdulla Zilka, another businessman and Mr. Karlin was asked to become managing director in 1956. Mr. Albert was subsequently appointed as secretary. At all material times Mr. Karlin appears to have been in effective control of Comcor's affairs.

9. Early in 1957 Comcor had arranged for third parties the acquisition of sufficiently large shareholdings to control Pena Copper Mines Ltd. (later Pena Industries Ltd.) and of Paragon Holdings Ltd., whose interests were expanded into rubber plantations, electronics, plastics, radios, cars, etc. In order to manage the finances of the companies controlled, Comcor took power in its Memorandum and Articles to operate as a merchant banker, and its capital was increased to £100,000 of which £85,000 was held by M. Messiqua. Subsequently Comcor was generally engaged in private banking activities and in the acquiring of controlling interests in industrial, commercial, and finance companies mostly of a small or medium size, but it also had substantial independent shareholdings in Pena Industries Ltd., and Paragon Holdings Ltd. It is understood that early in 1958 M. Messiqua disposed of all, or practically all, his holding in Comcor to a company named Absel Ltd., which was apparently controlled by Comcor or Mr. Karlin.

10. To supplement its resources, Comcor raised funds by the pledging of shares, the discounting of accommodation bills, and through lines of credit with

other merchant bankers; it also employed funds deposited with it as bankers by customers. In late 1957 it seems to have been heavily committed in various directions and to have been in need of cash, and Mr. Karlin caused bids to be made for dormant companies which had substantial cash in their possession so that Comcor could obtain some part of these funds. It appears reasonable to assume he felt that although the price offered for the shares would be greater than the return to be obtained in a liquidation a substantial minority of the shareholders would, if the bid was not too high, choose not to accept it and the funds taken over from the companies could be reasonably expected to exceed Comcor's total outlay in respect of the shares acquired. Comcor acquired a controlling majority of the shares in a number of companies including Langkon and took possession of the funds of these companies. Comcor did not, however, succeed in relieving its financial difficulties and a Winding-up Order was made against the company on the 9th June 1958, during which month Mr. Karlin and Mr. Albert both left this country and have not returned.

IV

Sales of estates and offer for shares by Comcor Ltd.

11. Langkon is a public company formerly operating rubber plantations in the Far East with a part-time board of British directors resident in this country. The secretarial and accounting arrangements were handled by Harrisons & Crosfield Ltd., 1-4, Great Tower Street, E.C.3, who were the secretaries to the company. At all material times the issued share capital consisted of 200,000 5% non-cumulative participating preference shares of 2s. each and 896,380 ordinary shares of 2s. each. In 1957/58 the company's plantations were sold for cash and as a result it was left with cash and securities of an approximate value of £209,000. The directors at this time were Captain A. G. Cowie, Sir Andrew McFadyean, Mr. E. Bateson, Mr. R. E. Fearnley-Whittingstall and Major L. M. E. Dent, who quite independently let it be known that they were prepared to consider on behalf of the general body of shareholders offers for the company's shares in excess of the sum that would be received by the shareholders in a voluntary liquidation. A number of parties expressed their interest and asked for additional information. The offer made by Comcor was accepted by the directors in respect of their own shares and recommended to the other shareholders for acceptance. This was the last and highest of several bids recorded. The price offered by Comcor was 3s. 10½d. for each 2s. 5% non-cumulative participating preference share and 3s. 8½d. for each ordinary share. It was conditional upon acceptances being received in respect of 75% of the total number of shares in each class or such smaller number as might be agreed by the offerers. A circular letter containing the offer and recommending acceptance was sent to shareholders on 31st January 1958 by Harrisons & Crosfield Ltd.; the closing date was 14th February 1958. The offer was made by London Scottish and Australasian Trust Ltd. a nominee company of Edward Cutbill & Co., stockbrokers on behalf of Comcor. Acceptances were received by Harrisons & Crosfield Ltd., from the holders of 177,600 preference and 608,795 ordinary shares involving a payment of £147,290 14s. 10d.

12. Arrangements were made for completion of the take-over to take place on 26th February 1958. Prior to that date, steps were taken by Harrisons & Crosfield Ltd. at the request of Comcor to realise all Langkon's investments, which were in Government securities, and to transfer the balance of £204,452 17s. 6d. on its deposit account to its current account with Martins Bank Ltd., 68 Lombard Street branch by 26th February 1958. As a result of these transactions it was possible for the sum of £209,000 to be transferred from Langkon's

bank current account to Comcor's account with Martins Bank Ltd., Ludgate Circus branch in the circumstances outlined below on 26th February 1958.

13. An approach was made by Comcor to Martins Bank, Ludgate Circus branch for overdraft facilities to be available to enable Comcor to complete the purchase of the shares on 26th February 1958. There has been traced a letter dated 21st February 1958 in which Comcor wrote to Martins Bank, Ludgate Circus branch confirming arrangements for the issue by that branch of a bankers draft for £130,000 on 26th February 1958 and for an overdraft for the 26th, 27th which was described as being "in connection with the acquisition of a company having approximately £200,000 in cash." In this letter Comcor also undertook to ensure that the company to be taken over would acquire securities from Comcor for amounts sufficient to discharge the overnight overdraft by 3 p.m. on 27th February 1958. However these facilities were not in fact required as by that date other funds totalling some £250,000 (there is a strong possibility however that the whole or a large part of this £250,000 was already committed in other directions) were placed to the credit of Comcor's account with that branch. Consequently Comcor was in a position to arrange with the manager of that branch for a bankers draft for £147,290 14s. 10d. to be available at the completion meeting on the afternoon of 26th February 1958.

14. A board meeting of Langkon was called by Harrisons & Crosfield Ltd. for 3.30 p.m. on 26th February 1958 at which the completion of the purchase of the shares was to take place. Although there are no minutes of the meeting recorded in the minute book it is understood that the manager of Martins Bank Ltd., Ludgate Circus branch was present for at least part of the time. The events at this meeting were as follows: Comcor's representative handed to the secretaries a bankers draft for £147,290 14s. 10d. as payment for the purchase price of the assenting shareholders' shares. Mr. Karlin and Mr. Albert were appointed as directors, the secretaries, Harrisons & Crosfield Ltd. resigned and Mr. L. J. Pernelet, an employee within the Comcor organisation, was appointed secretary and the existing directors resigned. It is understood that at the conclusion of the meeting Mr. Albert obtained from Harrisons & Crosfield Ltd. what purports to be a certified copy of a resolution passed at that meeting appointing the new directors and secretary, although as has been stated previously in this report no recorded minutes of this meeting have been traced. It is also understood that Mr. Albert obtained from Harrisons & Crosfield Ltd. the company's cheque book, after the meeting had ended.

15. Mr. Albert and Mr. Pernelet then accompanied by the manager of Martins Bank, Ludgate Circus branch, went to Martins Bank, Lombard Street branch where the extracts from the minutes and signatures of the newly appointed directors were lodged and a cheque for £209,000 was drawn on Langkon's account with the Lombard Street branch in favour of the Ludgate Circus branch of Martins Bank for the account of Comcor and was handed to the manager of that branch. The 177,600 preference shares and 608,795 ordinary shares which were acquired by Comcor as a result of the take-over were first registered in the name of the London Scottish & Australasian Trust Ltd. These shares were then transferred for a nominal consideration into the name of Intrin Securities Ltd. (hereinafter referred to as "Intrin") a company with an issued capital of £2 whose operations were controlled by Mr. Karlin although he was not a director or a shareholder until 1959. It appears that Intrin was acting as nominee for Comcor in this transaction.

16. Subsequent to Comcor's acquisition of the 177,600 preference shares and 608,795 ordinary shares which were the subject of the take-over deal, Comcor acquired a further block of 194,000 ordinary shares which had been

accumulated from various small shareholders by a Singapore firm at about the date of the Comcor bid and these were offered to Mr. Karlin by E. R. Lewis & Co. a London firm of stockbrokers at a price of 3s. 10½d. a share. The records show that these shares were paid for by Comcor but registered in the name of the Netherlands Bank of South Africa Nominees Ltd. E. R. Lewis & Co. have stated that Comcor initially had considerable difficulty in raising the funds required for this purchase (£38,355 16s. 5d.) and that delivery was only made against the settlement of E. R. Lewis' account on 18th March 1958 by the Netherlands Bank of South Africa Ltd. on behalf of Comcor. The Netherlands Bank of South Africa Nominees Ltd. state that the beneficial owner is Comcor but that the shares are still subject to a lien for the monies advanced.

17. The tables given below show the disposition of the shares and funds following the take-over:

(a) Disposition of shares

<i>Particulars</i>		<i>Preference shares of 2s. each</i>	<i>Ordinary shares of 2s. each</i>
Comcor			
Acquired by offer	...	177,600	608,795
Minority shareholding non-acceptances	...	22,400	287,585
Total shares in issue		<u>200,000</u>	<u>896,380</u>

Non-acceptances amounted to approximately 28% of the total shares; two blocks of 194,000 and 5,000 ordinary shares were subsequently acquired as separate and later transactions which reduced the minority shareholdings to some 10% of the total. As stated some doubt exists as to the beneficial ownership of the block of 194,000 ordinary shares.

(b) Disposition of Langkon's funds

	<i>£</i>	<i>s.</i>	<i>d.</i>
Obtained from Langkon by Comcor			
Martins Bank, 68 Lombard Street, E.C.3	209,000	0	0
Expended by Comcor			
Shares acquired including stamp duty	150,432	0	0
Balance available for Comcor	<u>£58,568</u>	<u>0</u>	<u>0</u>

The immediate net gain of funds amounting to £58,568 may have been subsequently reduced insofar as Comcor may have had to find some part of the sum of £38,356 recorded as paid on 18th March 1958 to acquire the 194,000 ordinary shares referred to earlier, the ownership of which is disputed. Subject to this, Comcor obtained control of extra funds of £58,568 and in addition held shares in Langkon on record as having cost £150,432. Mr. Karlin has claimed that the Langkon shares registered in the name of Intrin are his property and are not the property of Comcor, and that he acquired them from Intrin. All the references in the negotiations and the offer suggest that Comcor was the principal

and Intrin was its nominee in this matter. However there is an entry in the relative Comcor investment account dated 31st March 1958 transferring the ownership of 802,795 ordinary shares and 177,600 preference shares from Comcor to Intrin at the original cost of £188,788.

V

Transactions and events subsequent to take-over

18. To dispose of its indebtedness to Langkon, Comcor made entries in its own books during March 1958 purporting to show Langkon as (a) buying certain Selama and Jon-Landor shares and (b) buying shares in and making large loans to other companies associated with the Comcor group.

19. By 3rd March 1958 practically all the available funds of Langkon had been transferred to Comcor and between 28th February and 3rd March 1958 the following share purchases were charged to Langkon by Comcor:

<i>Description</i>	<i>Amount</i>
	£
98 £1 shares in Impex Metal Ltd.	98
50,000 £1 shares in Comcor Ltd. at 22s. each	55,000
50 £1 shares in Intrin Securities Ltd. (the issue of these shares by Intrin is in doubt) ...	50
998 £1 shares in Transtrade Ltd.	998
2,000 £1 shares in Midan Ltd.	2,000
5,000 £1 participating preference shares in E. Karlin & Son Ltd.	5,000
	<hr/>
	£63,146

20. On 31st March 1958 the amounts owing by Comcor to Jon-Landor and Selama were transferred in Comcor, Langkon and Jon-Landor books to Langkon thus making Langkon a debtor to Jon-Landor and Selama, and a creditor of Comcor for the amounts involved. The amount owing by Comcor to Langkon amounted to £500,948 18s. 8d. as follows:

	£	s.	d.
Funds deposited by Langkon	209,000	0	0
Less share purchases debited to Langkon ...	63,146	0	0
	<hr/>		
Balance	145,854	0	0
Transfers from Jon-Landor	196,845	19	10
Transfers from Selama	158,248	18	10
	<hr/>		
Total	£500,948	18	8

The transfers of £158,248 18s. 10d. and £196,845 19s. 10d. from Selama and Jon-Landor, respectively, to Langkon are supported by a resolution in Jon-Landor records authorising the transfer of its funds with Comcor to Langkon and by an almost identically worded loose minute sheet of Selama found amongst other loose documents not connected with the minute book. These transfers resulted in Langkon being shown as having borrowed a total of £355,094 18s. 8d. from Jon-Landor and Selama. Its Articles of Association restrict

Langkon's borrowing power to the amount of its nominal capital viz. £125,000 (unless increased by ordinary resolution which was not sought), so it would appear that these transactions resulted in Langkon exceeding its borrowing powers.

21. Langkon in both Comcor's and its own books of account is charged on the same date viz. 31st March 1958 with transfers to other companies and with purchases of shares as follows:

<i>Description</i>	<i>Amount</i>		
	£	s.	d.
Transfer to Impex Metal Ltd.	190,000	0	0
Transfer to Intrin Securities Ltd.	323,000	0	0
Purchase from Comcor Ltd. of 435,928 shares in Selama	119,422	9	6
Purchase from Comcor Ltd. of 27,209 preference shares in Pena Industries Ltd.	24,276	9	4
Purchase from Comcor Ltd. of 117,428 ordinary shares in Pena Industries Ltd.	36,325	11	2
Total	£693,024	10	0

The two sets of entries referred to above resulted in Langkon being a debtor to Comcor for £192,075 11s. 4d. at 31st March 1958 which was the closing date of Comcor's financial year.

22. The entries in respect of (a) the transfer of £323,000 to Intrin, (b) the purchases of Pena Industries' preference and ordinary shares, (c) the purchase of 98 shares in Impex, (d) the purchase of 50,000 shares in Comcor and (e) the purchase of 50 shares in Intrin, were reversed on 22nd May 1958. Mr. Karlin says that he cannot recollect the transfer of the £323,000 to Intrin. The purchases of the Pena shares have been described by Mr. Karlin as being made for investment purposes. The reason for the switch of the investment between the companies is not clear.

23. Certain of the reversed entries were explained by Mr. Karlin as representing part of a highly complicated scheme of reorganisation involving several parties which he proposed should be undertaken at Comcor's year-end, 31st March 1958, but to which he was unable to get the agreement of other parties. He stated that the cancellation of such entries became necessary when the scheme proved abortive.

24. The following comments are offered on the share purchase entries which have been allowed to stand:

(i) With regard to purchase by Langkon on 3rd March 1958 of 5,000 preference shares in E. Karlin & Sons Ltd. at a cost of £5,000, Mr. Karlin states that he purchased these shares from his associate, M. Messiqua, and sold them to Langkon. No share certificate has been discovered for these shares, no authorisation is recorded by Langkon's board for this purchase, no stamp duty has been paid and the annual return of E. Karlin & Sons Ltd. to 31st March 1959 shows this holding in the name of Mercurio S.A., a company controlled by M. Messiqua.

(ii) No board authorisation is recorded for the purchase on 3rd March 1958 of the 998 £1 shares in Transtrade at a cost of £998. No share certificate has been traced, no transfer stamp duty is recorded as paid and only two shares appear to be in issue according to returns made by Transtrade to the Registrar of Companies.

(iii) There is no record of board authorisation for the purchase on 3rd March 1958 of 2,000 £1 shares in Midan Ltd. at a cost of £2,000 and no share certificates or records of payments of transfer stamp duty have been traced. Two thousand £1 shares are in issue but the last annual return made by this company, it is now in liquidation, was in November 1955. The liquidator of Midan Ltd. states that he has obtained no records from which he could confirm the sale of the 2,000 shares to Langkon; moreover, the ex-manager of Midan has said that he has no recollection of the names of the Langkon and Comcor companies.

(iv) With regard to the purchase of the 435,928 Selama shares at a cost of £119,422 9s. 6d. on 31st March 1958 from Comcor, there is no record of Langkon's board authorising the purchase, no transfer stamp duty appears to have been paid, no share certificates appear to have been issued by Selama and there is no record of any share transfer being submitted to Selama in relation to this transaction. Comcor acquired 535,928 shares as a result of its offer in February 1958 but of these transfer deeds covering 145,036 shares have never been registered and no transfer stamp duty has been paid thereon so that these shares remain registered in the name of the original owners, and could not therefore have been transferred by Comcor. Of the remaining shares 217,000 have been the subject of liens which have apparently been exercised but it has not been possible to ascertain whether these liens were given before the date on which Comcor is purported to have sold the shares to Langkon.

25. The entries substituting Impex Metal for Comcor as a debtor to Langkon for £190,000 have not been reversed. This transfer of funds appears to have been passed on by Impex to Intrin, now in liquidation. Mr Karlin has stated that the loan should have been made direct to Intrin. The authority for this transfer to Impex Metal and the purposes for which it was made have not been explained. Mr. Karlin has said the intention was that of a loan by a subsidiary company (Langkon) to a parent company (Intrin) backed by the additional collateral of a large block of Pena shares. There are no minutes of directors' meetings and no justification is seen for the transfer. The nominal capital of Impex Metal is £100, the issued capital is not known, no annual returns or return of allotments having been filed. It is understood that the principal asset of Impex Metal is a claim of £195,000 against Intrin.

26. From the point of view of Langkon no purpose appears to have been achieved by the transactions referred to above in paragraph 25.

27. Between 1st April 1958 and 5th May 1958 Langkon's account with Comcor was charged with several further purchases of ordinary and preference shares in Pena Industries at prices considerably higher than the market price, amounting in total to £11,706 14s. 10d. but these entries were subsequently reversed.

28. Mr. Pernellet commenced a hand written ledger for Comcor in which on Mr. Karlin's instructions he made a number of entries to revise or amend certain of the entries affecting Langkon at 31st March 1958 to which reference has been

made earlier in this report. These entries are all back-dated to 22nd May 1958; that is, the last date on which the records were under Mr. Karlin's control. Corresponding entries had been made in Langkon's books. Mr. Karlin explains these reversals as being necessitated by the collapse of a contemplated reorganisation of the group's affairs which had been anticipated by him in the various year-end entries at 31st March 1958 made on his instructions. The reorganization was to have affected a number of companies and shareholdings and the reverse entries in Comcor's books relate also to these other companies. Mr. Karlin admits that he had not sought or obtained the agreement of the various other parties who were involved in the scheme but states that he had hoped to obtain this later. He agrees that although he can now see that the making of these entries was ill-advised at the time they did not appear unreasonable to him.

29. On 22nd May 1958 Langkon's account is charged with the following purchases of shares from Comcor and the reimbursement of Comcor for commission:

<i>Alleged effective date</i>	<i>Narration</i>	<i>£</i>	<i>s.</i>	<i>d.</i>
31st March 1958	100,000 Selama shares	27,572	13	6
31st March 1958	524,882 Jon Lendor shares	176,304	3	6
9th April 1958	Guarantee commission re Selama	15,000	0	0
Total		£218,876	17	0

leaving Langkon after sundry minor adjustments as a creditor of Comcor for £27,574 18s. 9d.

30. There is no record in Langkon's minute book of authorities for these transactions and no relevant entries in the Selama and Jon-Lendor share transfer register and share registers. As far as can be ascertained share certificates have not been issued to Langkon in respect of these holdings.

31. Earlier entries in Comcor's books at 31st March 1958 showed both these holdings as having been sold by Comcor to Intrin at 31st March 1958. It has not been possible to trace any corroborative evidence for these transfers. Entries in Intrin's account in Comcor's books on 22nd May 1958 purport to cancel these purchases from Comcor but the cost is debited not to Comcor but to Langkon as shown above. Mr. Karlin's statement that the sales to Intrin as recorded in the books did not take place is accepted but his claim that Langkon instead purchased these shares from Comcor is open to doubt. Mr. Karlin asserts that Langkon is the owner of the Selama and Jon-Lendor shares acquired by Comcor through its bids. Apart from the entries in books of account there is no documentary evidence in support of this statement.

32. The debit of £15,000 for guarantee commission in relation to Selama appears to be a charge made in respect of a guarantee given to the vendors of the shares by an associated company, Paragon Holdings Ltd; no support for the charge can be found.

33. The position of Langkon as shown by its books of account and those of Comcor after the departure of Mr. Karlin and Mr. Albert abroad in June 1958 and the dispersal of staff is as follows:

<i>Particulars</i>				<i>Amount</i>					
				£	s.	d.	£	s.	d.
Investments									
5,000	£1	shares in E. Karlin & Sons Ltd.		5,000	0	0			
2,000	£1	shares in Midan Ltd.	...	2,000	0	0			
998	£1	shares in Transtrade Ltd.	...	998	0	0			
535,928	2s.	shares in Selama (Malaya) Rubber Estates Ltd.	...						
		Cost of shares	...	146,995	3	0			
		Commission on shares	...	15,000	0	0			
524,882	2s.	shares in Jon-Landor Ltd.	...	176,303	16	11			
							346,296	19	11
Cash at bank				...	...	...	384	2	2
Tax reserve certificates				...	...	...	5,000	0	0
Debtors:									
		Impex Metal Ltd.	...	190,000	0	0			
		Comcor Ltd.	...	27,574	18	9			
							217,574	18	9
Together				...	...		569,256	0	10
<i>Deduct</i>									
Creditors:									
		Selama (Malaya) Rubber Estates Ltd.		158,198	18	10			
		Jon-Landor Ltd.	...	196,622	19	10			
		Reserves for Taxation	...	18,046	10	3			
		Provision for taxation	...	361	6	5			
		Unclaimed dividends	...	55	18	0			
		Forfeited shares	...	13	5	0			
							373,298	18	4
Net assets				...			£195,957	2	6
<i>Represented by:</i>									
Issued share capital									
		Preference	...	20,000	0	0			
		Ordinary	...	89,638	0	0			
							109,638	0	0
Profit and loss account				...			86,319	2	6
As above				...			£195,957	2	6

The statement given above sets out the position of Langkon as recorded in its books but as indicated previously in this report many of the transactions which are alleged to have taken place since the takeover are of doubtful validity. If these transactions were set aside then in substitution for the investments, debtors and creditors related to the associated companies there would be one item of approximately £209,000 owing by Comcor. It is known, however, that Comcor itself has a very substantial deficiency. On the other hand if the entries in Langkon's account with Comcor are accepted as valid, Langkon could claim against Comcor and Impex Metal (or Intrin). Moreover if the entries showing Langkon as having acquired large shareholdings in Jon-Landor and Selama are accepted

as valid, insofar as these holdings may have been pledged or made available for pledging by Comcor, Intrin, Frantera S.A. a French company, now in liquidation (hereinafter referred to as 'Frantera') and Establishment Licofina, a company registered in Lichtenstein (hereinafter referred to as 'Licofina') claims would appear to lie by Langkon against Comcor and possibly one or more of the other companies. The liability of the directors of Langkon would apparently also require consideration as regards losses sustained by Langkon.

34. The transfer minute book of Langkon, a bound book, contains blank sheets which appear to have been signed in advance by Mr. Karlin; Langkon's transfer minute book also contains the minutes of transfer meetings of Selama and Jon-Landor held on 20th June 1958. It seems probable that these meetings were not held in view of the signed blank sheets which still remain in the book. Blank cheques and blank share certificates signed by Mr. Karlin have also been found. The transfer register contains a number of alterations and erasures in late April and early May 1958 and some serial numbers remain unaccounted for; some transfer deeds were registered before the date of stamping. Mr. Karlin has not been able to assist in clearing up these points and comments that he was not familiar with the technical details. The conclusion could be drawn that when the collapse was inevitable it was deemed advisable to make and record a number of share transfers possibly either to give effect to the arrangements already in existence but not recorded, or to give colour to transactions, such as the re-financing deals referred to elsewhere in this report.

35. The examination of the share registers of Langkon discloses a number of instances of shares transferred into the name of nominee companies from the holdings of Comcor and Intrin. The relative transfer deeds in each case are stated to represent the transfer of shares from one nominee to another without change in beneficial ownership. The appropriate nominal stamp duty of 10s. has been duly paid for each transfer. Endeavours have been made to trace the beneficial owners of these shares through the nominee holders and in most instances these endeavours have been successful though they have involved protracted correspondence. Attempts have been made to establish how the parties claiming beneficial ownership acquired their title in view of the statement on these transfer deeds that there was no change in beneficial ownership; and when and for what consideration they acquired their interest in these holdings. The nominee holders in each case are foreign financial houses, mainly Swiss, and they have been reluctant to disclose the information requested; the National Bank Secrecy Act of Switzerland gives a high degree of protection in such matters. In general, these holdings appear to have been given jointly with other shares as securities for monies advanced. There is considerable obscurity as to the full details of these advances and as to the beneficiaries but according to Mr. Karlin, Intrin was one of the principal beneficiaries. Frantera and Licofina played significant roles in these transactions. It is probable that these companies have close relationships with Mr. Karlin. The shares pledged as security appear to have been 'borrowed' from the company owning them but it does not seem clear that the funds raised were passed on to the companies owning the shares. A full account has not been obtained of such of these transactions as are recorded in the books of Comcor and Intrin nor of other transactions which may not have been put on record. On the collapse of Comcor and Intrin the lenders appear to have exercised their lien by taking over the shares in their possession. It is far from clear that authority was given for these 'borrowings' and even if it was given, these transactions do not appear to have benefited the 'lending' company and they are open to serious criticism.

36. The table below sets out the shareholdings at the time of the take-over, the subsequent transfers and the present shareholdings:

	<i>Ordinary shares of 2s. each</i>	<i>Preference shares of 2s. each</i>
Shareholdings at date of take-over		
London, Scottish and Australasian Trust Ltd. (Nominee of Messrs. Cutbill & Co. who made offer for shares on behalf of Comcor Ltd.)	*608,795	177,600
Minority shareholdings	287,585	22,400
Issued capital ...	<u>896,380</u>	<u>200,000</u>
*(Note the shares acquired as result of take-over offer were transferred to Intrin Securities Ltd. without change in beneficial ownership as nominee of Comcor Ltd.)		
Shares held by Intrin Securities Ltd. (as above)	608,795	177,600
<i>Less</i> Transfers by Intrin (for nominal consideration without change in beneficial ownership) to:		
Baring Nominees Ltd. 26,800		
Swiss Bank Corporation (London Office Nominees) Ltd. ... 10,000		
American Express Nominees Ltd. ... 60,000		20,000
Credit Lyonnais London Nominees Ltd.... 30,000		20,000
	<u>126,800</u>	<u>40,000</u>
	481,995	137,600
<i>Less:</i> Transfer by Intrin (for nominal consideration without change in beneficial ownership) to Westover Nominees Ltd. but transfer not registered by company		
	<u>20,000</u>	<u>—</u>
Present shareholding of Intrin ...	<u>461,995</u>	<u>137,600</u>
Purchase of shares by Comcor from Messrs. E. R. Lewis & Co. (stockbrokers) (shares registered in the name of Netherlands Bank of South Africa Nominees Ltd.)		
	<u>199,000</u>	<u>—</u>

of shares in Langkon. If the view is taken that Langkon is the owner of the shares in Jon-Landor and Selama, then it would seem that the assets of the company have been pledged with third parties without Langkon receiving any benefit from the transaction.

40. In June 1958 Mr. Karlin and Mr. Albert both left this country (and have not returned) and after their departure the affairs of Langkon were left dormant and without supervision. No accounts have been presented to shareholders nor have they been given any indication of the fate of the company since the time of the Comcor bid.

41. It would appear that when Mr. Karlin gained control of the company the funds of Langkon were used by him and his associates without regard to the interest of the minority shareholders. In all the transactions referred to in this report which took place while he was in control it would seem that Mr. Karlin was the dominant personality, Mr. Albert as his willing collaborator carried out the detailed work to give effect to Mr. Karlin's ideas. Mr. Pernelet was apparently not kept informed of the reasons for the various transactions he recorded and his position seems to have been solely that of an employee carrying out instructions.

42. In view of the cross-claims between the companies concerned a precise opinion cannot be given of the present financial position of Langkon.

Signed J. W. PING

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